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A REVIEW
OF THE
CURRENCY QUESTION,

WITH

Special Reference to the Fiat Money Doctrine;

AND

THE SUBSTITUTION OF GOLD AND SILVER CERTIFICATES FOR
THE PRESENT PAPER MONEY CIRCULATION.

BY

T. W. BARTLEY.

Published in THE AMERICAN REGISTER, at Washington, D. C.,
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A, REVIEW
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WITH SPECIAL REFERENCE TO THE FIAT MONEY DOCTRINE:
AND
THE SUBSTITUTION OF GOLD AND SILVER CERTIFICATES FOR
THE PRESENT PAPER MONEY CIRCULATION.

THE MONEY SYSTEM.

The very intricate, and, to many, inscrutable operations of the money system have been the cause of blunders in statesmanship which have caused disasters, losses, and ruin in the business of countries beyond the power of language to describe. Hence the importance, indeed, *necessity* of being *right* on this subject. Adam Smith's *Wealth of Nations*, which has stood the test and scrutiny of talents and of time, laid the foundation of the modern system of political economy. And while Daniel Webster was, on the money question, the profoundest statesman of this country; Edmund Burke was on that subject the profoundest statesman of England. Here then are lights to guide us.

Adam Smith, who had all the aids which the great practical financiers connected with the Bank of England could afford, admits of *paper money* as a *convenience* in business, but does so *only* and *solely* on the *condition* that the paper issues shall be *strictly limited* to the amount of specie, dollar for dollar, held for its redemption. Under this limit, he says, that the paper issues cannot disturb the international equilibrium of money. And Burke maintained that ground. But while Mr. Webster had a full comprehension and just appreciation of the fluctuations and evils of paper money,

he was not in favor of an exclusive metallic currency. On this point he said, in his speech in New York, in September, 1840 :

I hold the opinion, that a mixed currency, composed partly of gold and silver and partly of good paper, *redeemable, and steadily redeemed* in specie on demand, is the most useful and convenient for such a country as we inhabit, and is sure to continue to be used, to a greater or less extent, in these United States.

Mr. Webster's limitation would probably answer the purpose, if it were *practicable at all times and under all circumstances*. But experience has shown that there is no safety in it, or that it is unattainable at some emergencies with paper money based on credit. Nothing but *the absolute rule* of Adam Smith can, at all times, protect a nation from monetary revulsions.

Now, the rule of this great philosopher on the wealth of nations is at this time easily attainable in the United States. Let the productions of our rich gold and silver mines be encouraged, and premiums be offered for the coinage, and the deposits of the specie in the Treasury on the issue therefor of gold and silver certificates, and in the course of a few years the channels of the paper circulation can be supplied with gold and silver certificates as a full substitute for the bank paper circulation based on credit, and that gradually as the latter is withdrawn. And the national banks, under such a money system, would find a more profitable field for their legitimate business operations as banks of deposit, discount, and exchange. At this time the deposit of the chief part of their capital in the Treasury as security for their circulation makes them unsafe as banks of deposit, and greatly impairs their usefulness as such. Hence many of the private banks that issue no paper for circulation are doing a safer and more profitable business than most of the national banks. The feasibility and advantages of this change in the paper money circulation of the country shall be hereafter more fully presented and explained.

The substitution of gold and silver certificates for our present paper circulation would bring our money system within the rule of Adam Smith, and thus *secure* the country against the constantly recurring paper money fluctuations and revulsions, which have heretofore caused periodically such widespread and ruinous disasters in the business of the country.

There are two sources of opposition to this proposed change; one is the present national banks, and the other is the Greenback or fiat money party. The change would take the national banks out of the political field, and make them more useful to the business of the country, and more profitable to their stockholders than they are at present. To the other ground of opposition, we will pay our respects at large, here, and at once.

THE GREENBACKS ALIAS FIAT MONEY.

A full exposition of the proposed system of "fiat money," otherwise termed inconvertible greenbacks, as the exclusive circulating medium of the country, appears to be appropriate and in point as a matter of public interest at this time. The efforts which have been made for several years past to organize a national political party on the basis of this system are still pressed with persevering persistency, so that the subject presents an open and living issue.

This scheme proposes an entire revolution in the circulating medium, not only as to the article to be used as money, but also as to the principle upon which the monetary system is based. It proposes to dispense with the precious metals entirely as money, to discontinue the coinage of gold and silver, to withdraw the paper medium now in circulation, which promises to pay money and is convertible into the precious metals on demand, and substitute as the entire circulating medium of the country bits of paper stamped with the various denominations of money, and purporting to be made money by the mere *fiat* of the Government. No security is to be pledged for its redemption or the safety

of the holders, and not promising to pay anything, and irredeemable on its face, it is to be put into circulation as the only money of the country through the fiscal operations of the Government, and its circulation maintained by the simple fact of being *called money*, and made a legal tender in payment of debts and receivable in payment of the public dues.

It proposes the introduction of a new and fictitious standard of value at variance with the established notions of trade and business, which have prevailed throughout the commercial world from time immemorial. And, strange to say, it is brought forward as a measure of relief to depressed labor and productive industry, and as a means of making times easy and money plenty, etc. ! This new-fangled doctrine as to money, although advocated by some gentlemen of acknowledged rectitude of intention, is manifestly one of the most chimerical and dangerous forms of ideal money that could be proposed. There are three objections to it, either of which is insuperable and fatal to it as a system of money,

First, it would bring the country to *an actual state of barter* in our trade with foreign nations.

Second, it would inevitably bring upon the country a depreciated currency, with its dire calamities, in the very worst possible form, and impose upon the people and the country incalculable losses and difficulties in time of war or civil revolution.

And third, the scheme in its very nature is in manifest derogation of the fundamental objects of civil government, and, in its inevitable consequences, would lead to such difficulties and demoralization in our public affairs as to pervert and destroy the free institutions ordained and established to protect and maintain the rights and liberties of the people.

Of these in their order :

1st. The only money recognized in our trade with foreign

nations is that of gold and silver. No form of paper money can be devised which can be used in foreign countries or in carrying on our foreign trade, amounting annually to many hundreds of millions of dollars in our imports and our exports. And this trade with the other nations of the commercial world constitutes in fact a most important source of our national wealth and prosperity.

It is a law of the circulating medium, universally acknowledged, that an inconvertible paper currency will expel from circulation, and drive out of the country gold and silver coin. This has been so often tried in different countries and at different times, and has been so uniform in its results, that it has been shown to be as inevitable as the laws of nature. Although gold and silver are esteemed the precious metals, and are in demand extensively for purposes of art and ornament, etc., the greatest demand for them is created by their use *as money*, forming the standard of value in trade. And when the demand for them for this purpose is dispensed with in any country they at once disappear, being carried off to other countries where they are in demand as money. So that it is certain and inevitable, that *the first and immediate result* of the adoption of the so-called *fict money* as the exclusive currency of the country, would be to drive out of circulation and off to foreign countries the gold and silver circulation, and thus bring the country virtually to a state of barter in our trade with foreign nations. It is true, this would not defeat or destroy our foreign trade entirely, but it would cripple and curtail it greatly by taking away the facilities and advantages of the circulating medium essential to its prosperity and success. It would affect our foreign trade precisely in the same way in which our *internal trade* would be affected by taking away or suppressing all kinds of money or currency in the business and trade within the country. In an actual state of barter in our internal affairs, trade would still be carried on by an exchange of commodities; but the facilities and con-

veniences of a circulating medium, essential to stimulate business and give prosperity to trade, would be gone.

But this is not all in this regard. The difficulties and burdens which would be imposed upon our citizens and the Government, in the intercourse and business with foreign countries by discarding the currency and standard of value of the commercial world, would be grievous beyond calculation. Having discarded gold and silver as money, and that standard of value common among the nations of the commercial world, our citizens and Government would be at the mercy of foreign bankers, brokers, and shavers in raising money for travel and in discharging obligations in foreign countries, and with foreign citizens and governments.

The different nations of the commercial world constitute in one sense a community, united under international treaties and commercial arrangements for mutual benefits and advantages. And in the vast and complex intercourse carried on between different countries by and with citizens and governments, no currency or standard of value is recognized but that of gold and silver, the currency of the commercial world. Hence to comprehend fully and accurately the operations and results of the monetary system of any country, it must be considered with reference to, and in its connection with the trade and business of the other nations of the commercial world; so that the attempt to discard gold and silver as money, and set up a new and fictitious standard of value based on this system of *fiat money* at variance with, and in defiance of the long and well-established basis of trade and business throughout the commercial world, could result in nothing but ultimate disaster, ruin and discredit to the people and the country.

The futility of any attempt to make money abundant, and to stimulate prosperity in business by an inconvertible paper money inflation, has been not only shown by experience in the past, but is capable of easy demonstration.

Suppose for illustration, that the whole circulating medium of the United States consisted of four hundred millions of dollars in gold and silver, and four hundred millions in inconvertible paper, making in the aggregate eight hundred millions of dollars; and that the Government to make money more abundant should issue four hundred millions more of paper money, making the entire circulation twelve hundred millions, four hundred in specie and eight hundred in paper, what would be the result? The inevitable effect in the trade with foreign nations would be to increase our imports of foreign commodities, flowing in to take advantage of our temporary inflation of prices. And as the paper money would not pass in foreign countries, the specie would be drained off until an equilibrium would be restored between the circulating medium of this country and that of the foreign nations with which we trade. So that in the course of a year or two, this inflation of our currency would increase the circulating medium of the other commercial nations just as much as that of our own country. But the foreign countries would get our specie, and our paper circulation being left without a specie basis would become depreciated, and the paper bubble would sooner or later collapse and be followed by a revulsion, and consequent contraction, producing stagnation in the business of the country. The laws of trade, as inexorable as the laws of nature, inevitably tend to produce and maintain an equilibrium in the circulating medium between commercial nations, and bring it about by the unavoidable operations of trade when once disturbed.

It is urged against this, that the trade with foreign nations is carried on by means of the exchange of commodities and foreign bills drawn on balances arising from such trade, and that money is not needed in the foreign commerce of the country. This is an assumption which will not bear the test of examination. Better and with sounder reason could it be asserted that money was not needed in the internal trade of the country, because that can be car.

ried on by the exchange of commodities and inland bills, &c. Why is it that a circulating medium termed *money* is needed at all? Because of the inconvenience and troubles of a state of barter shown in the difficulty, as it is said, "of finding the double coincidence of two persons whose disposable possessions naturally suit each other's wants." A familiar illustration is given by writers on money, in "the griefs of the boot-maker wanting a hat, who found many who had hats but did not, at that time, want boots, and many more who wanted boots badly enough, but were quite as ill off respecting hats." And also, to illustrate the impossibility of dividing many kinds of goods without impairing or destroying their utility, we are reminded of the instance of the griefs of the tailor having a coat ready to exchange for articles of necessity which he wanted, but it much exceed in value the bread he needed from the baker, or the meat from the butcher, or the sugar from the grocer. Thus the insuperable inconveniences and difficulties of a state of actual barter, in securing the requisite coincidence of wants and possessions, creates the necessity of some common medium of exchange, capable of being both a denominator of value and also a measure of value. Money, as the mechanism of exchange, performs these functions, and being the machinery which facilitates trade, it has been the harbinger of modern commerce and civilization. And Professor Jevons, an author on this subject, remarks that "modern society could not exist in its present complex form without the means which money constitutes of valuing, distributing and contracting for commodities of various kinds."

This mechanism of exchange which facilitates trade is even a more essential instrumentality in the commerce with foreign countries, than in the internal business of the country. Besides the ordinary inconveniences and difficulties of a state of barter, which arise alike in our foreign as well as in our internal trade, a manufacturer, while he may be compelled to purchase the materials for his factory in one for-

eign country, may find a market for his fabrics in a different country. And the exporting merchant, while he fits out his ship and cargo for Rio de Janeiro, or for Calcutta, must furnish the ship with the money of the commercial world to pay expenses. The vessel may be driven by a storm into an unfriendly port, or may have to stop at an unexpected place for supplies or for necessary repairs of the ship, where neither fiat money nor foreign bills could possibly answer the purposes of the voyage.

So that it is plain from a practical view of the matter, that the proposed currency would most certainly break up and ruin our prosperous and profitable trade with foreign nations.

2d. The mischiefs and calamities of a depreciated currency would be its inevitable result, and it would become especially disastrous in time of war, and ruinous in case of change of government by revolution.

Paper money has been so often tried in every conceivable form, and in different ages and countries, and so much scrutinized and discussed by profound statesmen and learned writers on political science, that it is not a little surprising that the subject in its various phases should be so imperfectly understood at this late day. But the memory of man seems to be especially unstable on this subject, and after having just passed through and experienced the disasters of a paper money expansion and contraction, and indeed, even when in the very vortex of a paper money revulsion, men are found proposing absurd forms of paper money as a penance for prevailing evils. The people of France had scarcely recovered from the desolation and ruin caused by the John Law paper money scheme, when they were again deluded by the system of the French assignats. At a critical period in England a man proposed an issue of exchequer bills of great profusion as a remedy for the monetary disorders and evils of that country. Other philanthropists proposed to enrich all the people by coining the national debt; and still others

by coining the lands of the country into a form of paper money. But the catholicon now proposed for the disordered state of our monetary system is that familiarly known as "fiat money," *alias* "greenbacks." The money doctors proposing this grand panacea say, that the superior excellence of this form of currency consists in the fact, that containing no promise to pay money or anything else, and being irredeemable it requires no form of security for its basis, but stamped by the public authority with the various denominations of money, it is to be made money by the simple fiat of the Government. They call this proposed currency "greenbacks," because it is to be a *Government issue*, and to be *irredeemable*. But the greenbacks of the war contained a promise to pay money, and since they have become redeemable on demand in gold and silver coin, no such similitude can exist, and inasmuch as the quality of inconvertibility no longer exists in the greenbacks, the name of the fiat progeny should be changed on account of incompatibility.

There is no mystery about the real nature of the idolized greenback issue. It was strictly a war expedient, originating in an emergency in the struggle to save the Federal Union. Mr. Chase, the author of it, did not pretend to *justify* it, but he *excused* it on the ground of necessity. The greenback issue of 1862, 1863, and 1864, was one of those legal-tender expedients with inconvertible paper money only resorted to by governments under great stress of war necessity. It was in substance an indirect mode of getting a loan of money from the people. The United States in fact, received the equivalent in exchange for the irredeemable greenbacks placed in circulation in the hands of the people, who trusted in the faith of the Government to redeem them at a future day. But the proposed fiat money would create no such obligation. The Government would receive the equivalent of its nominal amount when issued, without any obligation on its part to redeem or return the amount to the people.

The greenback issue depreciated, so that at one time it

was down to thirty-eight cents on the dollar, and was subject to change in its current value by the result of every important battle in the field. This experiment in irredeemable legal-tender paper played a most important part in the grand expansion and contraction of the circulating medium, that resulted in the lingering revulsion and chronic stagnation in business still, to some extent, paralyzing the industrial energies of the country.

FALLACIES OF THE FIAT MONEY DOCTRINE.

It is claimed that there is a magical power in the proposed fiat money, which will enrich the government, fill the pockets of the people, and bring about a monetary millennium, banishing the evils which have heretofore so often deranged the circulating medium as a standard of value. But wherein does this power consist? What is there intrinsically in the fiat paper fitting it to become a standard of value? In the bit of paper, the vignette, and the Government stamp there could be no intrinsic value. The fiat money doctors say that it is a *certificate of value*. But if the Government certifies a falsehood to be truth does that make it so? The stamp of public authority cannot transform a lie into the truth. The simple fiat of the Government can no more give value to a nonentity than it can make twice two to be six instead of four. It cannot do an impossible thing. *It cannot make money out of nothing.* If it could do so, why afflict the people with grievous burdens of taxation? But if it could turn the mere rags and lampblack composing the fiat paper into money, it would be as the magician turns water into wine, or wine into water—*by mere deception.*

Money is not simply the *denominator* of value, but also the *measure* of value. Bits of paper, destitute of intrinsic value, although stamped with the denominations of money, could not permanently perform the functions of money. The yardstick becomes the measure of length by having length within itself. So the bushel and quart measures become the measures of bulk by the capacity of holding bulk; and the

A pound weight having weight *per se* becomes the measure of weight. So metallic money having intrinsic value is made a *measure of value* by its coinage based on its metallic value; and paper money is based on value derived from its *convertibility* into coin at the will of the holder. But this fiat money being simply a *denominator* of value, but not a *measure of value in any way*, would become a delusion and a fraud, and a veritable orgy of authority in delirium.

The advocate of fiat money responds: "Is the edict of this great nation nothing, or to be treated as nothing?" Certainly not, if it does not stultify itself, and assume to do things impossible or beyond the scope of its powers. But if the Government should issue its *fiat* that the granite rock of New England shall be bread, and shall be received and eaten as bread, would that make it bread? And would it make the granite any more valuable? So, if the Government take a little piece of paper, and stamp on it "this is one dollar;" and on another piece, "this is ten dollars;" and on another, "this is one thousand dollars," can it thus make money out of a thing of no value? The bit of paper called one thousand dollars would cost no more and could have no more of intrinsic value in it than that called one dollar. It would require the utmost art of the magician to do such a thing with any show of reality. But the practical operation, as shown hereafter, discloses the inherent fallacy of the thing.

It is argued, however, that this currency being a legal tender in payment of debts, and receivable in the payment of public dues, and the exclusive circulation medium of the country, could not depreciate. This argument will not bear the test of examination. It has ever been the usual contrivance to bolster the credit of inconvertible paper money by making it a legal tender, and receivable in payment of public dues. But while this, in the numerous experiments made, has occasioned injustice and sacrifices to many, it has in no instance prevented depreciation. Even the greenback currency of the war, which was a legal tender, and receivable

for public dues, except only as to customs, depreciated, and went down below forty cents on the dollar. And not being convertible into the money of the commercial world, fiat currency could not be used to purchase specie or foreign bills of exchange, which are indispensable to the trade with foreign nations. And as soon as it should appear in the business of the country that the fiat currency could not be used to procure the means to carry on foreign trade, and keep up intercourse with other countries, it would depreciate, and be repudiated by a part of the community at once.

This system of currency to be issued by the Government and based purely on its authority as money is nothing new. It was tried over a thousand years ago. It was tried in China, in Persia, in Russia, France, and numerous other countries, and ruinous depreciation and monetary difficulties invariably resulted from it. The French assignats offered a fair test of it as a circulating medium. That issue was founded on the pure authority of the government, and received the denominations of money under the stamp of the public authority. It was a legal tender and receivable in payment of the public dues, and became for a time the exclusive circulating medium in France; and the fact that the immense national domain of France, arising from confiscation, stood as a kind of basis for it, gave it a higher sanction of public authority, and could certainly not have either impaired its authority or weakened its effect in the confidence of the country as money. Yet the assignats depreciated, and resulted in the usual disasters of paper money inflations, and revulsions, and at one time were but the two-hundredth part of their original or nominal value.

ILLUSTRATION OF ITS OPERATIONS.

To test its practical operation, suppose this fiat-money system to have been introduced and to be in full operation. The precious metals having been dispensed with, have been sent off to foreign countries where they are in demand as money. The products of our mines are shipped at once to

foreign countries where they command the best price. Our mints, no longer needed, have been discontinued. And the paper circulation of the national banks and all other currency heretofore in circulation having been withdrawn, the fiat money has become the sole and only circulating medium of the country. What would inevitably follow from this condition of affairs? The numerous experiments with ideal money, which have been made in past times, show the result. The fiat money being the only currency would become *temporarily* the circulating medium of the country, and would for a short time be received in business by people, in the confidence that it would in due course be taken by others. Experience has shown, that mere ideal money or bits of paper stamped with the various denominations of money, being the only medium of exchange existing, may go into general use for a short time, and *temporarily* perform the functions of the medium of exchange in any particular country, until the fallacy of the thing and the impossibility of its *permanently* performing the functions of *real money*, are disclosed through the connection of the business and trade of the country with the general commerce of the world.

The chief blessing promised by the fiat-money doctors is to make money abundant, and fill the pockets of the people. And, as it costs little or nothing, and imposes no obligation either to redeem or secure the paper, three or four thousand millions of dollars of it could be issued just as readily as any smaller amount. And when by the excess of the issues the purchasing power of the paper grows less, the money doctors will say the currency has not depreciated, but the prices and value of all kinds of property have risen; and in proportion as the wealth of the country thus grows, let the issues of the money be continuously increased to keep pace with the growth of the country. And so it will go on until it would take a hundred dollars of this money to pay for a man's dinner.

It is said, however, that there will be either a statutory or

a constitutional restriction to prevent an excess of the issues of this paper. But what will that amount to when the power which imposes the restriction can change or repeal it? The most absolute restriction was imposed several times against further issues of the French assignats, and yet abrogated as easily as they were enacted. It is beyond the wisdom of man to ascertain and prescribe certainly how much money the business of the country requires. In a sound condition of the money system of a country the volume of the currency is regulated by business and international trade. If the circulating medium becomes too flush, the trade of the commercial world in its natural course drains it off and regulates it. And so, if it be insufficient in amount, trade creates the demand that brings it back and restores the equilibrium.

The idea of a commercial people dispensing with the precious metals, and setting up an exclusive local inconvertible paper medium to be above and beyond the regulating influence of the money of the commercial world, is simply absurd. While our foreign trade continues, it must be carried on with the precious metals or their equivalents. And on that basis all we sell and buy abroad is paid for and settled. The prices of all our staple products would, therefore, be determined in the money of the foreign markets. Although gold and silver coin had been utterly banished from this country, it is manifest that the producers of our exports, as well as our importers, would look to the quotations of the prices in the foreign markets as their guides. And the value of the fiat money would at once be quoted and fixed in comparison with the money of the commercial world, just as the green-back currency was during the war, and this would disclose its depreciation. As long as our foreign trade shall be continued, gold and silver will remain the standard of value at which any local inconvertible paper medium will be estimated. And as soon as it should appear that fiat money could not be used to purchase gold, silver, or foreign bills of

exchange without a ruinous discount, it would depreciate. No country can withdraw from the laws governing the commerce of the world, or change the international standard of value in its own business transactions, and yet continue successfully its trade and intercourse with foreign nations.

In the supposed state of affairs, it will soon become manifest that the fiat money would run down in its purchasing power, and woefully depreciate in the inevitable comparison with the money of the commercial world, and culminate in difficulties and embarrassments in business beyond all calculation. For illustration take a few instances. A merchant who imports, deals in foreign commodities, and supplies factories with articles not produced in this country, wishes to pay balances abroad and replenish his stock, but he finds that specie is not to be had, and that he cannot purchase foreign bills of exchange with fiat money without suffering a ruinous discount; a manufacturer, who is engaged largely in products for export, but who imports the most essential part of his raw material to be had from Europe only, is in need of money or exchange for the purchase of his foreign material, and he applies to the banks on the Atlantic seaboard for the purchase of specie or foreign bills, but he finds that he cannot purchase either with fiat money at all; so that his factory has to be stopped, and his hands thrown out of employment, with his desk full of fiat money. A merchant, and also a manufacturer, having each agencies in Liverpool, and also in Rio Janeiro, are compelled to abandon their business on account of the impossibility of getting either specie or foreign bills for their fiat money. A man of wealth, wishing to dispose of a part of his property in order to raise the means to travel on business as well as for pleasure in Europe and Asia, and finding it impossible to get anything but fiat money for his property, and equally impossible to procure specie or foreign bills with that kind of money, is compelled to abandon his journey. These several persons go to the Secretary of the Treasury (who may

be presumed to be in accord with the new money system) and representing their several grievances, present their accumulations of fiat money and most respectfully request that, inasmuch as the United States received the equivalent for this paper when it was issued, the Government should give them good money for it. To the request of these several persons, the Secretary replies: "This is good money. It is absolute money. It is the money of the people representing the wealth of the nation amounting to more than fifty thousand millions of dollars." But the merchants and manufacturers insist that they cannot procure specie or foreign exchange with it, without which they cannot discharge their liabilities abroad and carry on their business. "That is the beauty of the system," rejoins the Secretary. "We don't want to have anything more to do with gold and silver or with foreign nations." But the merchant and manufacturers inquire: "Can't you give us something valuable for this paper you have issued that will enable us to carry on our business? Can't you give us some of the wealth of the nation which you say it represents?" "Not at all," answers the Secretary, "the excellence of this money is that it is not redeemable or convertible into anything else, and the wealth of the nation which it represents does not stand as any security for it. It is made *absolute money* by the fiat prerogative, and a legal tender in payment of debts." The merchants and manufacturers say that they have no debts to pay in this country, not owing any. But they insist that, having taken this money on faith in the Government in exchange for property and labor, and the United States having received the equivalent for its face when issued, common honesty and a desire to retain the respect and confidence of the people required that the Government should give them something of value which would be available to them for their fiat paper. And they further inquire of the Secretary whether the Government will compel people to sell them such property as they want for it when it is tendered there-

for. The Secretary replies, "No, we cannot compel a man to sell his property when he don't want to sell it; but controlling the courts, we can refuse a man a remedy by suit and judgment for his debt when he refuses a tender of fiat money in payment."

The credit and circulation of this fiat paper will soon be found to depend solely and alone on the fact of being made a legal tender in payment of debts, and receivable in the payment of the public dues. And what will be the result of its operation in these regards?

CREDIT SYSTEM BROKEN UP.

The credit system, which can only stand upon the basis of sound money, and the integrity of both the public authorities and the people, becomes a potent element in the business of the world. Of this, Daniel Webster said: "Credit is the vital air of the system of modern commerce. It has done more a thousand times to enrich nations than all the mines of all the world. It has excited labor, stimulated manufactories, pushed commerce over every sea, and brought every nation, every kingdom, and every small tribe among the races of men, to be known to all the rest. It has raised armies, equipped navies, and triumphing over the gross power of mere numbers, it has established national superiority on the foundation of intelligence, wealth, and well-directed industry." To discard the money of the commercial world, and substitute an inconvertible paper medium, is to destroy confidence and the foundation of the credit system. When one man credits another and takes his obligation for full value received, and the Government intervenes with a legal tender law, and compels the creditor to take pay in depreciated paper worth less than fifty cents on the dollar, it is dishonesty and bad faith on the part of the Government as well as the debtor; and when business men find that they are compelled to take fiat money, depreciated far below the money of the commercial world, at par in payment of debts, they will refuse to sell on credit, no debts can be contracted

for the sale of property of any kind on credit, and the credit system will be broken up, and the confidence essential to it destroyed.

RECEIVABLE FOR THE PUBLIC DUES.

This new currency, being the exclusive circulating medium of the country, and receivable in payment of the public dues, would soon fill the public treasury, and the Government would have nothing else with which to buy a musket, or a pound of powder and lead in case of the emergency of a war. And how could the Government in such condition, discharge its obligations to foreign nations, or to persons in foreign countries, or upon its contracts expressly made payable in gold coin? And how could it pay the expenses of our foreign ambassadors or representatives to keep up the necessary intercourse with foreign nations? And having no power to collect the public revenues in any other kind of money, the Government would be reduced to inevitable bankruptcy, with the treasury full of its own inconvertible fiat money. In such condition of affairs, the Government dishonored, without credit on which it could borrow sound money in any part of the civilized world, suppose a war with a foreign nation, and a part of this country in the possession of an invading army, how could the Government sustain itself under a loss of the confidence of the world and the respect of its own people? How could our naval fleets be sustained in protecting our own ports, and our merchant vessels and commerce on the high seas, with a depreciated and inconvertible paper medium, which could not circulate beyond our own territorial limits? How could our men-of-war be maintained by such means, in the Mediterranean, for instance, to protect our merchant marine and our foreign trade and commerce?

This form of money would have to be introduced by a political party, and having a party opposed to it. And on the party introducing it becoming unpopular, and being suc-

ceeded by the opposition, the currency would be repudiated, and become worthless, with two or three thousand millions of dollars of it in the hands of the people. And in case of a change of dynasty in power, or a civil revolution, the same result would follow.

The fallacy and utter futility of the proposed form of money would soon be exposed in its practical operations. Further than this, it will not bear the test of the well-known laws governing money as the medium of exchange.

THE LAWS GOVERNING MONEY.

The nature and elements of money as an instrumentality in business and trade, the functions performed by it, and the essential qualities necessary to fit an article for use as money, are matters not only ascertained by the researches of science, but also tested and established by practical experience in the commerce of the world running through many centuries. Money is the article adopted and used as the common medium of exchange, and as such, the standard measure of the value or price of commodities in trade, and also the standard for the settlement of deferred payments. Its functions are expressed in its definition: 1st, a common medium of exchange in the transfer of property; 2d, the measure or standard of value; 3d, the denominator of price or value; and, 4th, the standard for deferred payments.

The material qualities essential to fit an article for use as money are the following: 1st, intrinsic value; 2d, uniformity and steadiness of value as far as practicable; 3d, portability or capability of easy transportation; 4th, indestructibility or incapability of deterioration from fire, water, rust, exposure to the air or insects; 5th, malleability or susceptibility of division without loss or deterioration of value; and 6th, general recognition and use as money in the marts of the commercial world.

The experience of many centuries, and the highest standard authority show these several qualities to be essen-

tial to fit an article for actual use as money. (*See Jevons on Money, p. 30.*)

Numerous articles and commodities have been tried in use as money, at various periods and in different countries. But gold and silver alone have stood the test and scrutiny of time for that purpose, and have been in use as such from time immemorial. Long practical experience has shown these metals to contain all the above-mentioned essential requisites fitting them for use as money, in a higher degree than anything else; and they have been coined in all ages since the earliest invention of that art. They are obtained by great labor and expense, and are not so abundant as to be injured in their value by an excessive supply. And while the demand for them all over the world for purposes of plate, ornament, jewelry, and the mechanical arts, is sufficient to prevent redundancy, the quantity thus used furnishes a storehouse from which a supply can be had for the purposes of money in case of a failure in the regular production of the mines. And while they combine purity, beauty, and utility, they are indestructible by fire, water, or oxidation by atmospheric exposure. Gold, the most rare, presents a combination of the most useful properties, with unequalled beauty and richness in its brilliant yellow tint only adequately described as *golden*. And silver combines the properties of varied utility with its exquisite white lustre and purity unrivalled by any other metal, and has a relative value peculiarly fitting it for the middle place between gold, and the cheap metals of copper and nickel composing the small change or subsidiary coin.

The metal platinum was coined and introduced by the Russian government, as money in 1828. And about that time, it was recommended by an eminent statesman of this country, John Quincy Adams, as one of the precious metals of medium value between gold and silver. But this metal not having been adopted in the coinage of other commercial nations, was abandoned by Russia in 1845. The represent-

ative of Russia, however, at the International Monetary Conference held at Paris, in 1867, proposed the coinage of this metal as money to a limited extent, but the suggestion was not adopted.

To perform the functions of money *permanently* the article used must not be simply a token of value, but an actual embodiment of value; in other words, contain intrinsic value. As a standard of value, it must by comparison measure the value of commodities in different places, in different countries, and at different times; and as such measure of value and medium of exchange, it must have general recognition throughout the commercial world; and this intrinsic value in the article used as money must have such *stability and permanency* as to preserve its *property value*, in the hands of the holder, through all civil commotions, and revolutions in dynasties, and amidst the wreck of governments, and the crash of empires.

Much has been said about fluctuations in the metallic value of gold and silver, according to the supply and demand; yet it may be asserted, without fear of contradiction, that there is no other known article having the requisite qualities for use as money, which is as stable and uniform in its intrinsic value as the precious metals. The demand for gold and silver for the purpose of jewelry, ornament, plate, and the arts has been constantly growing, and what is peculiar, it increases with the increased supply; and prior to the development of the mines of California and Australia, the complaint of an insufficient supply of the precious metals was made a pretext for the introduction of unreliable paper money. Where the supply of the precious metals is increased, business of every kind acquires renewed vigor, enterprise is stimulated, and labor and industry receive new life from an actual addition made to the facilities for business, and that form of wealth which stimulates trade without the contingency or danger of a succeeding contraction or collapse as in case of a paper money inflation.

Besides all this, by immemorial usage and the established course of business in the commerce and trade of the world, the universal standard of value has reference to and is based upon the coinage of the precious metals, from which no commercial nation can depart without losing the advantage of its foreign trade.

To facilitate the vast international trade of the world, regulations have been established equalizing, as far as practicable, the money of the commercial nations, showing the equivalent of any unit or its fractional parts in the money of the different nations; and all these regulations and usages are based on the current value of the precious metals; and where, in different countries, paper money exists, it is estimated solely at its actual value in the precious metals; and in the commerce of the world, from Calcutta and Amsterdam to London, and from Rio Janeiro and New York to the same emporium, all commercial transactions and all commercial paper have reference to and are based upon this medium of exchange as the measure of value. And of the exchanges and transfers of property, which occur annually in the great commercial marts of the world, amounting to many thousands of millions of dollars, (more than ninety-nine in a hundred of which are effected by commercial paper alone in its various forms,) all the negotiations and transactions are made on the basis of the values established in the coinage of the precious metals; and in the general Clearing House of international transactions for the settlement of balances at London, as the monetary headquarters of the commercial world, everything proceeds and is adjusted upon the current values of the precious metals as the medium of exchange.

It is said that gold and silver are not sufficiently abundant to be used in all the innumerable exchanges of property in the trade of the world. That is not requisite, and, therefore, no test. The chief part of the actual exchanges are and would be, of course, made with commercial paper, such as

bills of exchange, drafts, checks, and the various forms of commercial paper based on actual transactions in property, and valued in the standard of gold and silver. This is what is called *the credit system*, so valuable and influential in trade and business. But all commercial paper is based on the standard of value fixed in the coinage of gold and silver.

FIAT MONEY CONDEMNED BY LAWS OF TRADE.

The proposed money would not stand the test of the laws governing money, and could not be made a substitute for the precious metals for several conclusive reasons: 1st. It could have no recognition or use as money in the general commerce of the world. 2d. It would not bear comparison with the money of other commercial nations, and whenever brought in competition with it would depreciate and lose uniformity and steadiness of current value. 3d. It would be liable to absolute destruction by fire or water or atmospheric exposure. 4th. Its production costing little or nothing, and being under no restraint fixed by a law of nature limiting its quantity, it would inevitably conflict with the laws of trade, and be subject to expansions and contractions ruinous to business; and 5th. Having no intrinsic value, it would be liable to become wholly worthless in the hands of the people by the defeat of the political party inaugurating it, and more especially by a revolution in the government.

To maintain fiat money, therefore, as a local circulating medium, even during the incumbency of the party inaugurating it, would require: 1st. That this country should cut itself off from all trade and intercourse with foreign nations by a Chinese wall of exclusion; and 2d. That the Government should fix by law the price of every man's property, and impose a punishment for the refusal to sell at the Government price; and this would be a virtual confiscation, or rather destruction of the right of private property, a breaking up of the very foundations of the social fabric, and the ruin of all business.

WEBSTER ON PAPER MONEY.

No statesman of this country ever investigated the money question more profoundly than Daniel Webster, who, in his speech on the bank bill in Congress, said:

The circulating medium of a commercial community must be that which is also the circulating medium of other commercial communities, or must be capable of being converted into that medium without loss. It must be able, not only to pass in payments and receipts among individuals of the same society and nation, but to adjust and discharge the balances of exchanges between different nations. It must be something which has a value abroad as well as at home, and by which foreign as well as domestic debts can be satisfied. The precious metals alone answer these purposes. *They alone, therefore, are money*, and whatever else is to perform the offices of money must be their representative, and capable of being turned into them at will. So long as bank paper retains this quality, it is a substitute for money. Divested of this, nothing can give it that character. No solidity of funds, no sufficiency as assets, no confidence in the solvency of banking institutions has ever enabled them to keep up their paper to the value of gold and silver any longer than they paid gold and silver for it on demand. This will continue to be the case so long as those metals shall continue to be the standard of value and the general circulating medium among nations. (*The Works of Daniel Webster, Vol. III, p. 41.*)

Again Mr. Webster said:

There are some political evils which are seen as soon as they are dangerous, and which alarm at once as well the people as the Government. Wars and invasions, therefore, are not always the most certain destroyers of national prosperity. They come in no questionable shape. They announce their own approach, and the general security is preserved by the general alarm. Not so with the evils of a depreciated paper currency, or a depressed and falling public credit. Not so with the plausible and insidious mischiefs of a paper-money system. These insinuate themselves in the shape of facilities, accommodation, and relief. They hold out *the most fallacious hope* of an easy payment of debts and a lighter burden of taxation.

The experiments have been made with inconvertible paper,

issued by the Government, based on landed security; and that based on taxes or the public revenues as securities; and, also, that based on *the pure authority* of the Government for the professed purpose of affording a circulating medium, which is the proposed fiat money scheme. We have experiments with inconvertible paper money issued to meet the current annual exigencies of the Treasury, corresponding to the exchequer bills of England; paper issued for war expenses; paper issued as loans for the promotion of industry and the arts, etc.; and paper issued by wealthy corporations backed by the authority and credit of the Government; and yet all these experiments have sooner or later taken the same course and terminated in the same disastrous results.

BURKE ON PAPER MONEY.

Edmund Burke, the profoundest statesman of England, on this subject said: "Paper money may and does increase without any increase of trade; nay, often, when trade greatly declines, for it is not the measure of the trade of the nation, but of the necessity of its government, and it is absurd and must be ruinous that the same cause which naturally exhausts the wealth of a nation, should likewise be the only productive cause of money."

DECEPTIVE APPEARANCES OF PAPER MONEY.

Paper money deceives and misleads by false appearances. An inflation, while it gives a false appearance of prosperity, and allures people into extravagance and adventurous operations, does in reality, though insidiously, sap the very foundations of prosperity, and tends to the ultimate impoverishment of the country. And the appearance of scarcity of money seeming to take away all energy and life in business, of which people complain, is the natural and inevitable effect of a revulsion from overtrading, and the collapse or contraction consequent upon a paper money expansion. Such is the supply of money at this time in our country that the

interest on investments in first-class securities has fallen at least 2 per cent., and money is actually found seeking investments in 4 per cent. public securities; yet stagnation in business, the inevitable result of paper money irregularities, gives the appearance of the country being oppressed by scarcity of money. When business is brisk one hundred dollars will perform as many exchanges in a day as five hundred will when it is dull and stagnant. It is a chronic stagnation in business, and not scarcity of money, which now oppresses this country.

The inquiry is daily made why the dawn of prosperity has not come with the resumption of specie payment? There are several reasons for it, as follows, to wit:

1st. The procrastination of resumption for four years after it had been decided upon and required by law was unfortunate. The lingering contraction for so great a length of time produced a chronic or habitual stagnation in business, and such continuing shrinkage of prices as to destroy all settled ideas of property values, and paralyze energy and enterprise. From this habitual condition of affairs the recovery must necessarily be slow.

2d. The people of the country had suffered from an inconvertible paper currency for over fifteen years, and their business affairs had become so habituated to it, that they did not realize, and have not yet realized the importance of the specie basis, and the vitality to business which the convertibility of their paper medium is capable of imparting. It is not sufficient that the paper currency be simply redeemable; it must, as Mr. Webster said, "*be steadily redeemed.*" The efficacy of the money of the commercial world to throw off the incubus of stagnation, and stimulate business to activity and life, cannot have full sway until the specie is drawn out and infused into the circulation. Although we have resumption of specie payments theoretically, it is not yet in full and practical operation. If the people are so sluggish and careless of their own interests as to be content

with the shadow without the substance, and neglect to require steady redemption of the paper medium, nothing short of the withdrawal of all paper issues of denominations less than twenty dollars, will secure to the country a sound currency. This would bring into the circulation the gold coin, and make it an essential part of the ordinary circulation. We cannot have a sound currency without a reliable specie basis.

Touching the effects of paper money, expansions, and contractions on the condition of the laboring classes, Daniel Webster said :

The very man of all others, who has the deepest interest in a sound currency, and who suffers most by mischievous legislation in money matters, is the man who earns his daily bread by his daily toil. A depreciated currency, sudden changes of prices, paper money falling between morning and noon, and falling still lower between noon and night, these things constitute the very harvest time of speculators, and of the whole race of those who are at once idle and crafty.

* * But the laboring man, what can he hoard? Preying on nobody he becomes the prey of all.

And on another occasion, Webster, on this subject, added :

A disordered currency is one of the greatest political evils. It undermines the virtues necessary for the support of the social system, and encourages propensities destructive to its happiness. It wars against industry, frugality, and economy, and it fosters the evil spirits of extravagance and speculation. Of all the contrivances for cheating the laboring classes of mankind none has been more effectual than that which deludes them with paper money. *This is the most effectual of inventions to fertilize the rich man's fields by the sweat of the poor man's brow.* Ordinary tyranny, oppression, excessive taxation, these bear lightly on the happiness of the mass of the community compared with fraudulent currencies and the robberies committed by a depreciated paper.

V Inconvertible paper money has ever been found hostile and oppressive to the laboring classes of the people, as is clearly portrayed in the forcible language of Mr. Webster. It costs a laborer no more toil to earn a gold or silver dollar

than a dollar in paper. It is the broker, the shaver, the sharper, and the speculator who make profit out of the fluctuations of paper money. Actual experience has shown that in a paper money expansion the wages of the laborer are the last to rise; and in a contraction, the very first thing to fall. By an expansion the prices of the necessities of life are raised so that the wages of the laborer fail to furnish him the means of subsistence, and by a contraction the business of the country is paralyzed, and laborers thrown out of employment. For illustration, the inflated prices of the necessities of life, caused by the issues of the assignats in France were such that the laboring classes were brought to such a condition of starvation and suffering that the government was compelled, in order to appease the popular tumult, to fix a maximum of prices, and finally to regulate the rate of the prices of commodities, and impose criminal punishment for a refusal to sell at the prescribed prices; and when the collapse came it brought with it a stagnation in business which threw the laboring classes out of employment, reducing them to an utter state of pauperism and destitution. To prevent starvation the government furnished scanty and precarious supplies to many, and, according to the history of the time, numbers, every evening, threatened with the horrors of famine, actually threw themselves into the river Seine rather than die in such dire extremity as starvation; and the historian, in depicting the results of this paper money system, says that it—

Probably produced more widespread misery, more sudden changes from comfort to poverty, more iniquity in transactions between individuals, and individuals and the Government, more loss to all persons engaged in every department of industry and trade, more discontent, disturbance, profigacy and outrage than the massacres in September, the war in La Vendee, the proscriptions in the province, and all the sanguinary violences of the Reign of Terror. (*English Cyclopædia*, Vol. I, p. 631.)

In view of these historic facts Daniel Webster could not

have been wrong when he said of our money: "We have suffered more from this cause than from every other cause or calamity. It has killed more men, pervaded and corrupted the choicest interests of our country more, and done more injustice than even the arms and artifices of our enemy."

Is the sad history of the past to be forgotten? Are the dear-bought lessons of experience and wisdom to be cast aside and disregarded? The very idea of a political party on the basis of a system of inconvertible paper money in aid of and as a relief to depressed labor is a superlative absurdity, alike humiliating to the intelligence of the American people and disparaging to the pride of the human intellect. "*The Greenback Labor Party!*" Verily, there is an incongruity in this, which would not have been more striking if the political cognomen had been "*The White Blackbird Party.*" Inconvertible paper money has ever been a pest and scourge to the laboring classes; and the organization of a political party to bring this about *under the pretence of aid and relief to depressed labor* is an exhibition of political charlatanism in no wise elevating. It is an insult to the laboring classes to suppose that they can be led hoodwinked to their own ruin, and be made by *their own volition* "to fertilize the rich man's field by the sweat of the poor man's brow."

The proposed fiat money system is condemned by past experience, is against all standard authority, and contrary to the established notions and doctrines of the financial world, which it would require fifty or a hundred years to change, even if the thing were practicable and had any merit in it whatsoever as a money system. And the idea of starting and maintaining a political party on such a monetary dogma, at variance with the long and well-established doctrine of the financial world, is simply chimerical and absurd.

The greenback currency of the war is made its precedent

and its pretext. But what was the effect and result of that currency? It was a costly experiment at the time of a war emergency. It is true that it was the means of raising some four hundred millions of dollars to carry on the war to sustain the supremacy of the Federal Union, but it cost the people of the country in the end far more than three times that amount. Had the Government raised the means for the war by the sale of bonds instead of the issue of greenbacks—although it would have been less favorable to existing bondholders by causing some depreciation of the bonds in the market—it would have been a vast saving to the country. By the issue of the greenbacks in addition to all the other paper issued *in form* for circulation during the war, the paper circulation was expanded to the enormous amount of \$1,800,000,000 and more. This paper money bubble, after numerous contractions and expansions, finally exploded in September, 1873, when good statesmanship required that the Government should at once bring the country back to a specie basis, and the resumption should not have been deferred beyond the 1st of January, 1875. But instead of this a further inflation was made in 1874. And the resumption measure adopted in 1875 required but deferred resumption until 1879, thereby causing a torturing and lingering contraction of four years. It is always a severe ordeal for a commercial country to pass from an exclusive paper circulation to a specie basis. But this can always be better and more easily accomplished in six months or a year than in four or five years, notwithstanding the invariable clamor of impracticability by interested and surface men.

And even after the vast excess of our exports over our imports had brought down gold to a par with our paper circulation, parties protested against resumption as impracticable, although the Treasury Department was fortified with an accumulation of specie and specie funds nearly equal to the one-third of the whole circulating medium of the entire

country. Resumption on the first of January, 1875, could have been effected as certainly and with much better effect than four years later, and thereby saved the country from incalculable losses and suffering.

If the aggregate losses to the people of the United States individually from this grand paper money inflation and contraction, in which the greenback figured as a leading instrumentality, could be calculated they would doubtless be found to exceed three times the entire expenditure of the Government on account of the war. And this furnishes the boasted origin or rather paternity of the proposed fiat money system.

The fact here given has become a matter of history. And it is stated with no disposition to criticise the statesmanship of the public men, who patriotically conducted the country through the perils of the war, and who have since raised the greenbacks from the depressed and degraded condition, in which the fiat money doctors seek to imitate them, and saved the honor of the country by making them convertible on demand into specie at the will of the holder.

3. Finally, the fiat money scheme is at variance with the objects of civil government, unwarranted by its authority, and corrupting and ruinous in its tendencies.

It is a remark of one of the most profound writers on the origin and design of government, that "Government, even in its best state, is but a necessary evil, in its worst state an intolerable one." Man finds it necessary to surrender up a part of his rights and property to furnish means for the protection of the rest. The primary object, and legitimate scope of government is to protect man in his rights of personal security, personal liberty and private property. And when perfectly protected in these rights the towering spirit of man, invigorated and aided by social and business relations, accomplishes all the balance in the onward course of advancement and civilization. The Government neither

creates trade nor furnishes commodities, but protects and regulates. It is not the legitimate purpose of government to create and furnish money, but upon the same principle upon which it fixes and regulates the standard of weights and measures, it fixes and regulates the standard of money as the mechanism of exchange. If it were the legitimate object of government to create and furnish money to the people, it should take possession of the mines and work them with its vast resources and numerous hands, and furnish the people with an abundance of the real money of the commercial world. But that would be foreign to the legitimate purposes of the civil organization.

The Constitution of the United States conferred the power upon Congress "to coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures," and it further provides, that "no State shall coin money, or make anything but gold and silver coin a tender in payment of debts," &c. These provisions have exclusive reference to metallic money. The coinage neither creates the metal nor its intrinsic value, but gives form to its various pieces, and stamps upon them the denominations of money, and fixes their standard value of circulation.

No power is conferred upon Congress by the Constitution to create this fiat money scheme, or which, by any rational interpretation, can be construed into an authority to issue any such currency. The question decided by the Supreme Court, in the legal-tender cases, bears no analogy to this whatsoever.

Congress is authorized to provide for the common defence, and promote the general welfare, pursuant to, and in the exercise of the powers specially defined and enumerated in the Constitution. And the tenth article of the Constitution provides, that, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the

States, are reserved to the States respectively, or to the people."

The fiat money plan, therefore, is alike foreign to the fundamental objects of civil government, and unwarranted by the terms of the Constitution.

The memorable remark was made by an eminent statesman, in the United States Senate, some years ago, "that, if by the turn of his hand he could transform the capitol and all the public buildings of the United States into solid gold, he would on no account whatsoever do it, because it would most certainly corrupt and destroy the benign institutions ordained and established to protect and maintain the rights and liberties of the people." The remark was received with universal approval. If an *unlimited acquisition* of gold, the most valuable of the precious metals, would corrupt and destroy our political institutions, what might be expected from a scheme to enable the Government to create money *ad libitum* out of a thing of no value? The rights and liberties of the people, and the fairest fabric of free government ever organized by man, are not to be estimated in money, good or bad. Good statesmanship adapts its measures to the nature of man with all his fallibilities. If money could be made out of nothing, it would reverse the order of Divine Providence imposing the penalty of labor. Released from this restraint, who could calculate how far the vices of men would outgrow their virtues? Avarice, cupidity and ambition indulged by gratification sometimes make man an atrocious monster.

The evil effects of a depreciated and fluctuating paper currency upon society and upon the operations of the Government cannot be overestimated.

There never has been a government yet, says Prof. Perry, in his "Elements of Political Economy," of the many which have issued irredeemable paper, which had the wisdom and firmness to resist for any great length of time the

strong temptation to over-issues. * * * When once the press is set at work it must work on at livelier speed, because just in the ratio of the depreciation is the greater amount required.

It must not be thought that where the excess of inconvertible paper is small, the effects on trade and production are therefore slight. In no degree whatever can the money of any commercial community *depart from the money in which international balances are discharged*, without inducing obstruction and creating apprehensions to which modern trade, with its highly developed and sensitive organization will not subject itself, or will do so only on the payment of a heavy fine on the part of the community offending. (*Professor Walker on Money, p. 382.*)

Again, on pages 378-9, the same author adds:

The danger of over-issue is one which never ceases to threaten an inconvertible paper money. The path winds along a precipice. The prudence and self-restraint of years count for nothing, or count for but little against any new onset of popular passion, or in the face of a sudden exigency of the Government. From this danger a people receiving into circulation an inconvertible paper money can never escape. A single weak or reckless administration, one day of commercial panic, a mere rumor of invasion may hurl trade and production down the abyss. * * * Not only does the danger of over-issue never cease to menace a community having such money in circulation, but the moment an over-issue in fact occurs, the impulse to excess acquires violence by indulgence. The reason is obvious. To metallic money the formula of supply and demand applies. Demand creates supply; supply satisfies demand. If metallic money is brought in excess into any country, it runs off. Paper money cannot run off; it makes a swamp wherever it is poured out. There is no outlet for such money. When in excess, prices rise, and may rise indefinitely without being corrected by international commerce.

Mr. Madison, in the *Federalist*, speaks of the pestilential effects of inconvertible paper money on the necessary confidence between man and man; on the necessary confidence in the public councils; on the industry and morals of

the people, and on the character of republican government as being utterly ruinous.

The love of money has been said to be the root of all evil. And the terrible temptations, which the excesses and fluctuations of inconvertible paper money have created, have uniformly resulted in breaches of trust and violations of commercial honor on all hands, even by those most honored and trusted, and have introduced schemes of fraud, chicanery and prodigality destructive of all confidence and ruinous to industry and enterprises. And the corruption and demoralization which such a system of money would introduce into the operations of the Government may be imagined but cannot be fully expressed in words; and while it would impose upon the country the appearance of money and wealth at first and for a short time, it would allure and mislead to betray, and leave scenes of desolation, disappointment and ruin in business affairs which no language is adequate to describe.

After what has been shown above as to the effects and consequence of inconvertible paper money, it is unnecessary to attempt to describe here the manner and extent to which such a fallacious system of money would introduce demoralization and discredit into the affairs of the Government, dependent upon public opinion and the virtue of the people for its existence. Past instances of popular delusions can furnish no parallel to the corrupting influences, chagrin, suffering and disastrous consequences, which would inevitably result from so vast an adventure as this in the fallacies of inconvertible paper money.

GOLD AND SILVER CERTIFICATES.

We propose to make the practicability and sound policy of substituting gold and silver certificates of deposit of the precious metals in the Treasury Department, for our present

paper money based *on credit*, matters of absolute demonstration in due time. According to the statement of the Comptroller of the currency, the circulating medium of this country, on May 1, 1881, stood thus:

Gold coin.....	\$520,000,000
Silver coin	172,071,327
Silver certificates	39,157,940
Legal-tender notes, <i>alias</i> greenbacks	346,681,016
National bank notes.....	352,600,567

Total..... \$1,430,510,850

The greenbacks, as well as the national bank notes, are simple *promises to pay money*, and, therefore, paper money based *on credit*, and the aggregate amount of these put together, as stated above, is \$699,281,583.

It will not be necessary to lessen the amount of the precious metals in actual circulation; indeed, the increased demand will increase the amount in circulation; and the amounts required for the deposits for the certificates will be fully supplied from the annual productions of our mines and the annual net importations of gold.

It appears from the last official report of the Director of the Mint, for 1881, that the products of our mines for the year ending June 30, 1881, were as follows:

Gold products in coin and bullion	\$36,500,000
Silver products in coin and bullion.....	42,100,000

Total..... 78,600,000
Importations of gold (net) for the year..... 96,500,000

Making..... \$175,100,000

So that the Treasury Department could buy gold and silver, and pay for it in an issue of gold and silver certificates, to the extent of \$100,000,000 a year, and keep up the amount and increase it to that extent every year, and thus in six or seven years, gradually, as the paper money based *on credit* is

retired, substitute gold and silver treasury certificates for the present paper circulation. This would give the people of our country the best circulating medium of the world, immensely stimulate productive industry, keep the balance of trade with foreign nations in our favor, and in a few years make our country the commercial emporium of the world, and remove the Clearance-house for the adjustment of international balances from London to New York. This would make the United States certificates of gold and silver circulate readily at par in all parts of the commercial world, as do now the notes of the Bank of England, based as they are dollar for dollar on gold and silver held for their redemption.

1887

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